

**LEGISLATIVE SERVICES AGENCY  
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

301 State House  
(317) 232-9855

**FISCAL IMPACT STATEMENT**

**LS 7262**

**BILL NUMBER: HB 1409**

**DATE PREPARED: Jan 8, 2000**

**BILL AMENDED:**

**SUBJECT:** Unemployment compensation.

**FISCAL ANALYST:** Chuck Mayfield

**PHONE NUMBER:** 232-4825

**FUNDS AFFECTED:**  **GENERAL**  
 **DEDICATED**  
 **FEDERAL**

**IMPACT:** State & Local

**Summary of Legislation:** This bill increases the earnings base used to compute unemployment compensation to a maximum of \$6750 in a calendar quarter. It also decreases the unemployment compensation contribution rate schedules by 15%. The bill makes conforming amendments.

**Effective Date:** July 1, 2000.

**Explanation of State Expenditures:** The current earnings base used for the computation of weekly benefits is \$5,800 per quarter for a maximum weekly benefit of \$252. Increasing the earnings base to \$6,750 per quarter increases the maximum weekly benefit to \$290, an increase of \$38 (15.1%). In 1999, the average weekly benefit paid was \$212.26, approximately \$39.74 below the maximum benefit allowed. Using the average weekly unemployment benefits paid in 1999, the following table illustrates the potential fiscal impact of changing the earnings base.

Avg. Computed Weekly Benefit Amount at \$5,800	\$212.26 per week
Avg. Computed Weekly Benefit Amount at \$6,700	\$244.10 per week
Dollar increase	\$31.84 per week
Per cent increase	15%
Amount of Unemployment Insurance compensated in 1999	\$273,270,000
1999 amount increased by 15%	\$40,992,000
Total amount of Unemployment Insurance compensation (15% increase of 1999 compensation)	\$314,262,000

This provision will impact the amount of benefits available to an individual from the Unemployment Benefit Trust Fund. Based on the amount paid in unemployment benefits in FY 1999, this bill would increase expenditures from the Unemployment Benefit Trust Fund by approximately \$41 M.

The following table shows the status of the Unemployment Insurance Benefit Fund for FY 1995-1999.

	<b>Tax Revenue</b>	<b>Interest Earned</b>	<b>Benefit Payout</b>	<b>Ending Balance</b>
<b>FY 95</b>	\$247,463,695	\$74,702,666	\$207,651,252	\$1,166,349,934
<b>FY 96</b>	\$240,668,459	\$84,624,958	\$263,531,803	\$1,228,111,548
<b>FY 97</b>	\$253,739,266	\$84,791,186	\$248,613,268	\$1,318,028,732
<b>FY 98</b>	\$243,051,619	\$91,917,818	\$255,600,886	\$1,397,397,283
<b>FY 99</b>	\$265,499,209	\$93,564,797	\$789,834,763	\$1,461,850,819

The total impact on the fund is about a \$81 M reduction in the operating balance annually, \$41 M from increased expenditures and \$40 M from decreased revenue.

*Note:* The Unemployment Benefit Trust Fund is funded by quarterly contributions made by employers. The amount of each employer's contribution is based on each employer's individual unemployment account history and the past year's statewide unemployment rate. Other factors, including benefits paid to former employees, voluntary payments made, and the partial selling and purchasing of other businesses by the employer also impact each employer's rate. The potential impact of the provisions of this bill will change as the state's economy changes. For example, if the state's unemployment rate increases, the amount of unemployment benefits paid from the Fund will increase, and an employer's contribution rate to the Fund will change.

The State of Indiana is self insured for unemployment benefits and pays claims as they occur. Each agency is responsible for paying its unemployment claims. For FY 1999 the state paid \$1.5 M in benefits, \$956,447 from the General Fund and \$574,953 from dedicated funds. The maximum impact to state agencies is about \$230,000 (\$144,000 from the General Fund and \$86,000 from dedicated funds), for the provisions of this bill.

**Explanation of State Revenues:** The bill reduces the contribution rate schedules for employers with merit rating by 15% and with a penalty rating by 15% or the lowest amount allowed under federal law. The tax revenue for the Unemployment Insurance Benefit Fund was \$265,499,209 for FY 1999. A 15% reduction in the rates would reduce revenue by about \$40 million per year.

The State of Indiana is self insured for unemployment benefits and pays claims as they occur, so the reduction in rates would not affect the state.

**Explanation of Local Expenditures:** The impact on a local unit of government will be as an employer.

**Explanation of Local Revenues:** If a local unit is self insured then there is no affect, otherwise the local units cost should be about the same.

**State Agencies Affected:** Department of Workforce Development and all State Agencies

**Local Agencies Affected:** All

**Information Sources:** Charles Mazza, Department of Workforce Development, (317)232-7460.